

## Message Text

CONFIDENTIAL

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 INR-05 CIAE-00  
TRSE-00 SP-02 OMB-01 AF-04 EB-03 /043 W  
-----031906Z 057848 /46

R 031528Z JAN 77  
FM AMEMBASSY LISBON  
TO SECSTATE WASHDC 9691  
INFO AMEMBASSY BONN  
AMEMBASSY LONDON  
AMEMBASSY MADRID  
AMEMBASSY MOSCOW  
AMCONSUL OPORTO  
AMEMBASSY PARIS  
AMCONSUL PONTA DELGADA  
USMISSION NATO  
DIA WASHDC  
USCINCEUR VAIHIGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 0029

LIMDIS

E.O. 11652: XGDS-4  
TAGS: PINT, PO  
SUBJECT: SOCIALIST-CDS COOPERATION

REF: LISBON 8879 (DTG 281745Z DEC 76)

SUMMARY: CDS VICE PRESIDENT AMARO DA COSTA TOLD ME THAT SOARES HAS PROPOSED A GENTELMAN'S AGREEMENT WHEREBY THE CDS WOULD SUPPORT THE PS IN THE ASSEMBLY. CLOSER PARLIAMENTARY COOPERATION WOULD OFFER ADVANTAGES TO BOTH PARTIES; THE FLEXIBILITY AND PRAGMATISM OF SOARES AND FREITAS DO AMARAL SUGGEST THAT A PS-CDS WORKING ARRANGEMENT MAY BE POSSIBLE. FROM THE US STANDPOINT SOME FORM OF PS-CDS COLLABORATION WOULD HAVE MERIT. BUT THERE ARE MANY IN BOTH PARTIES WHO  
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WOULD REJECT ANY KIND OF FORMAL ALLIANCE. END SUMMARY.

1. CDS VICE PRESIDENT AMARO DA COSTA COLLED ON ME DEC 31 AT INSTRUCTIONS OF CDS PRESIDENT FREITAS DO AMARAL, WHO WAS OUT OF CITY. SAID VISIT HAD TWOFOLD PURPOSE: (A) EXPRESS APPRECIATION TO USG FOR SYMPATHY AND UNDERSTANDING IT HAD DEMONSTRATED TOWARD CDS DURING 1976; AND (B) TO INFORM US OF

DISCUSSIONS ON GREATER COOPERATION BETWEEN PS AND CDS (REFTEL).

2. AMARO DA COSTA SAID THE POSITION TAKEN BY THE CDS ON THE BUDGET, I.E. RESPONSIBLE CRITICISM BUT A WILLINGNESS TO GRANT THE GOVERNMENT THE TOOLS TO GOVERN, HAD BROUGHT ABOUT A FAVORABLE CHANGE IN ATTITUDE TOWARD THE CDS WITHIN THE SOCIALIST PARTY, INCLUDING THE PS LEFT WING. SOARES HAD TALKED TO FREITAS DO AMARAL AFTER THE VOTE IN TERMS OF GREATER COOPERATION BETWEEN THE TWO PARTIES. SPECIFICALLY, SOARES HAD PROPOSED A GENTLEMAN'S AGREEMENT WHEREBY THE CDS WOULD SUPPORT THE PS IN THE ASSEMBLY. AMARO DA COSTA WAS NOT CLEAR ON WHAT THE CDS WOULD RECEIVE IN RETURN BUT SAID SOARES HAD TALKED ABOUT INCREASED PATRONAGE, PARTICULARLY IN THE NATIONALIZED INDUSTRIES. SOARES HAD RULED OUT A COALITION IN THE NEAR FUTURE BUT HELD IT OUT AS A POSSIBILITY AFTER SIX MONTHS OR SO.

3. AMARO DA COSTA SAID HE COULD NOT UNDERSTAND THE PSD STRATEGY. THIS WAS NO TIME TO PROVOKE A CRISIS. THE CDS HAD ITS DIFFERENCES WITH THE SOCIALISTS, BUT THE GOVERNMENT WAS MOVING FUNDAMENTALLY IN THE RIGHT DIRECTION. HE WAS PARTICULARLY PLEASED WITH THE TOUGH NEW POLICY IN THE ALENTEJO UNDER AGRICULTURE MINISTER ANTONIO BARRETO. THE CDS WAS INCLINED TO COOPERATE WITH THE SOCIALISTS BUT SUCH COLLABORATION HAD TO BE DONE OPENLY. A SECRET AGREEMENT WOULD BECOME KNOWN, AND THE CDS CONSTITUENCY WOULD REACT ADVERSELY. THE CDS LEADERSHIP WAS ALREADY UNDER HEAVY RIGHTIST PRESSURE FROM WITHIN THE PARTY AND AN OPEN AGREEMENT, WHICH WAS THE ONLY WAY TO DO IT, WOULD HAVE TO OFFER TANGIBLE CONFIDENTIAL

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BENEFITS TO THE CDS. A COALITION WOULD DO THIS, OF COURSE, BUT THIS WAS NOT POSSIBLE RIGHT NOW. AMARO DA SPECULATED A BIT ON THE ROLE THE CDS MIGHT PLAY IN HELPING THE SOCIALISTS DEVELOP EUROPEAN CONTACTS, AND THE POLITICAL BENEFITS THIS WOULD GIVE THE CDS. BUT HE WAS SOMEWHAT AT A LOSS ON HOW AN AGREEMENT WITH SOCIALISTS COULD REALLY BE TURNED TO ADVANTAGE WITH THE CDS RANK AND FILE.

4. SINCE AMARO DA COSTA APPEARED TO BE SEEKING MY REACTION I TOLD HIM THAT THE DECISION WAS OF COURSE A CDS AFFAIR, BUT I SAW AN OBVIOUS AREA OF POSSIBLE PS-CDS COOPERATION, ONE WHICH WOULD BE OF INTEREST TO US. WITH AGREEMENT IN PRINCIPLE ON A \$300 MILLION LOAN, THE US HAD A SUBSTANTIAL STAKE IN SUCCESSFUL ECONOMIC POLICIES. WE WERE NOT SUPPORTING ANY PARTICULAR GOVERNMENT, BUT WE WERE PERSUADED THE SOCIALISTS WERE PREPARED TO TAKE THE TOUGH STEPS NECESSARY. THESE STEPS WERE CERTAIN TO PROVOKE OPPOSITION, INCLUDING SOME WITHIN

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TRSE-00 SP-02 OMB-01 AF-04 EB-03 /043 W  
-----031905Z 058095 /46

R 031528Z JAN 77  
FM AMEMBASSY LISBON  
TO /SECSTATE WASHDC 9692  
INFO AMEMBASSY BONN  
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AMEMBASSY MOSCOW  
AMCONSUL OPORTO  
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C O N F I D E N T I A L SECTION 2 OF 2 LISBON 0029

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THE SOCIALIST PARTY. THE CDS CONSTITUENCY, ON THE OTHER HAND, WAS MORE LIKELY TO BE SUPPORTIVE OF A TOUGH ECONOMIC POLICY. IF PARLIAMENTARY COOPERATION WAS BASED ON AN UNDERSTANDING ON CERTAIN ASPECTS OF ECONOMIC POLICY, THE LEADERSHIP OF BOTH PARTIES WOULD BENEFIT. SOARES COULD ARGUE WITH HIS MORE IDEOLOGICALLY-ORIENTED SUPORTERS THAT HE WAS GAINING SUPPORT IN THE ASSEMBLY FOR THE MEASURES HE WAS TAKING TO STIMULATE THE PRIVATE SECTOR, AND THE CDS COULD ARGUE WITH THEIR DIEHARD ANTI-SOCIALIST SUPPORTERS THAT THEY HAD MOVED THE SOCIALISTS TO A MORE FAVORABLE ORIENTATION TOWARD THE PRIVATE SECTOR IN RETURN FOR CDS SUPPORT IN THE ASSEMBLY. AMARO DA COSTA THOUGH THIS APPROACH HAD SOME POSSIBILITIES AND SAID HE WOULD DISCUSS IT WITH FREITAS DO AMARAL.

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5. COMMENT: SOARES HAS CONSISTENTLY TOLD ME OF HIS HIGH REGARD FOR THE CDS LEADERSHIP, PARTICULARLY FREITAS DO AMARAL, AND HAS CONFIRMED TO ME HE EXPECTS TO COLLABORATE MORE CLOSELY WITH THEM IN THE FUTURE. RELATIONS BETWEEN THE SOCIALISTS AND THE PSD ARE AGAIN AT A LOW POINT AFTER THE VOTE ON THE BUDGET. AMARO DA COSTA TOLD ME THE PCP HAD JOKINGLY ACCUSED THE CDS OF MOVING TO THE LEFT OF THE PSD. CLOSER PS-CDS COOPERATION IN THE ASSEMBLY WOULD OFFER ADVANTAGES TO BOTH PARTIES. IT WOULD FURTHER SQUEEZE THE PSD WHICH HAS REDUCED MANEUVERING ROOM AS A RESULT OF ITS POLICY OF SYSTEMATIC OPPOSITION. IT WOULD ASSURE THE SOCIALISTS THE PARLIAMENTARY MAJORITY THEY NOW LACK AND MAKE RESORT TO THE COMMUNISTS LESS LIKELY. FROM THE CDS PERSPECTIVE, MOVING CLOSER TO THE SOCIALISTS WHILE THE PSD IS STEPPING UP ITS OPPOSITION COULD MAKE THE CENTER DEMOCRATS MORE ATTRACTIVE TO THOSE AMONG THE SIZABLE CONSTITUENCY TO THE RIGHT OF THE SOCIALISTS WHO LINK THEIR POLITICAL FORTUNES WITH AN EARLY RETURN TO PARTICIPATION IN DECISION-MAKING PROCESS. THE FLEXIBILITY AND PRAGMATISM OF BOTH SOARES AND FREITAS DO AMARAL SUGGEST THAT SOME INFORMAL PS-CDS UNDERSTANDING MAY BE FEASIBLE. BUT, AMARO DA COSTA'S OPTIMISM NOTWITHSTANDING, THERE ARE MANY WITHIN BOTH PARTIES WHO WOULD REJECT AND IMPEDE ANY KIND OF FORMAL ALLIANCE.

6. FROM THE PERSPECTIVE OF THE US INTEREST IN STABILITY, SOME FORM OF PS-CDS COLLABORATION APPEARS TO HAVE MERIT.  
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## Message Attributes

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**Review Markings:**  
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